

- Provide BLACKWATER captured or acquired data on each ESS movement to REGENCY so that REGENCY can maintain a movement statistics database for BLACKWATER. This will provide REGENCY and BLACKWATER with the potential to enhance movement planning efficiency and thus cost effectiveness of security and ESS operations. This will also provide historical data to ESS for future operations planning and costing.

1.1.1.2 U.S. DoD, U.S. CPA and Contractor Access Control Cards for Iraq and Kuwait.

BLACKWATER will coordinate the appropriate level badges for authorized ESS management and staff personnel needed to gain access to U.S. Department of Defense (DoD) and U.S. Coalition Provisional Authority (CPA) facilities and areas. This will significantly enhance the efficiency of ESS personnel by reducing the time required and wasted in gaining access to applicable facilities in the Territory, and crossing borders within the Territory. The cost is included.

1.1.1.3 Aviation Services

Aviation support services offered to ESS will be priced separately as required and negotiated.

1.1.1.4 Communications

In addition to the typical mode of communications REGENCY/BLACKWATER will provide additional means of communication to ensure ESS management remains constantly up-to-date with operational issues. These additional means of communication consist of, but may not be limited to:

- Supporting a secure web site with real time data which will provide movement request submission and tracking of movement requests, information bulletins, current security environment analysis reports, news flashes or critical notices, contact information and any other information determined necessary by ESS. REGENCY will develop this secure website and implement the website.
- Providing a Bi-weekly intelligence assessment briefing / meeting overview with ESS management.
- Supporting Operational Management meetings with REGENCY and ESS management personnel on a bi-weekly basis.
- On REGENCY initiated or authored correspondence to the BLACKWATER Iraq Security Manager, Kuwait Security Manager or designated BLACKWATER Program Manager, REGENCY shall copy the BLACKWATER Director of Operations and the Deputy Director of Operations.

1.1.1.5 Continuous Ability to Field Operational Security Teams

BLACKWATER maintains the ability to field additional operational security teams organized to meet the ever changing security threats in the Territory in order to provide the most professional security services possible.

2.0 Support Solution

BLACKWATER's support solution is based on discussions with REGENCY, ESS Support Services management, and ESS Design and Build management's request to provide pricing on a per person support basis, not including costs for housing, subsistence, vehicles and large equipment items.

Security Organization Composition:

Type of Operator	Number
T1	2
T2	12
T3	20
Personnel Total	34

The following services and support items are the execution responsibility of BLACKWATER:

ITEM
Services
<ul style="list-style-type: none"> • Command & Control <ul style="list-style-type: none"> ◦ 24 x 7 Command Centers in Kuwait and Iraq to provide Command and Control of all security operations provided for ESS. • Security & Threat Assessment <ul style="list-style-type: none"> ◦ Review of: <ul style="list-style-type: none"> ▪ Current security plans. ▪ Current contracts and standard contracting documents. ▪ Standard Operating Procedures (SOPs) ▪ Current Training Programs ◦ Site visits to all or planned ESS facilities located in Kuwait and Iraq. Site visits will include but not be limited to: <ul style="list-style-type: none"> ▪ Schedule and meet with each site's management personnel. ▪ Schedule and meet with each site's current security personnel and other key location personnel and organizations. ◦ Prepare a risk assessment based on accepted risk management principles. <ul style="list-style-type: none"> ▪ Develop a risk matrix. ▪ Recommend risk monitoring, training, and reporting plan options. ▪ Make recommendations for improvement of security operations. ◦ Develop Security Procedures and Evacuation Plans <ul style="list-style-type: none"> ▪ Staffing requirements ▪ Training needs and integration into the overall security strategy plan. ▪ Requirements for standardized operating procedures. ▪ Risk Management and Security Implementation strategies with Cost options
Planning Support
<ul style="list-style-type: none"> • This will be in the form of route planning, movement of personnel, safety of ESS personnel, recommended safe housing areas, and other areas jointly agreed upon by ESS and REGENCY/BLOCKWATER. • Training for ESS personnel <ul style="list-style-type: none"> ◦ What to do when attacked during a convoy movement. Training for management personnel and workforce. ◦ Defensive Driving Class for managers working in Kuwait. ◦ Defensive Driving Class for ESS drivers going to Iraq.

ITEM
<ul style="list-style-type: none"> ○ Training courses to implement ESS Security Standard Operating Procedures. ○ Threat briefings for Kuwait and Iraq. What to look for and techniques for safe movement within Kuwait. ○ Medical refresher training in CPR and basic CPR training for ESS Managers ○ Pre-deployment mission training
<ul style="list-style-type: none"> • Security Escort Teams • Recovery Team: Recovery Teams will perform recovery of assets as required in a safe, timely and most feasible manner as deemed cost effective by BLACKWATER and ESS. • Intelligence Information Program <ul style="list-style-type: none"> ○ Intelligence Summary Bulletin fax and secure web site database updates ○ BLACKWATER must provide REGENCY with daily intelligence reporting in electronic format for each physical location/area in which BLACKWATER is providing security services for ESS. There will be verbal briefings daily between designated ESS and BLACKWATER/REGENCY representatives and weekly written or electronic assessments. ○ Bi-weekly threat assessment briefing for ESS Management
Management Interface Methods
<ul style="list-style-type: none"> • Bi-weekly Assessment briefings • Daily Program Manager Update/Interface
Administration
<ul style="list-style-type: none"> • Coordinate Iraq / US CPA issued weapons cards • Training of Blackwater Personnel • Provide administration of the security program. This includes responsibility for interface with REGENCY personnel and staff and management and responsibility of BLACKWATER staff assigned to this contract. This function is to take care of all the personal and administrative needs of BLACKWATER staff that may arise, with REGENCY providing assistance when and where needed.

Table 1, Service and Support Items

2.1 Transition Plan

2.1.1 Phase I – Mobilization

- After payment of the Mobilization Payment set forth in Section 8.1.1., BLACKWATER will mobilize the agreed to security operation. Within twenty one (21) days, based on the following estimates BLACKWATER will:
 - Notice of award (NOA) +1: A planning and coordination Cell is activated in Kuwait and Iraq. Transition coordination begins with ESS management.
 - NOA-Day + 2: Initiate badging process for designated ESS personnel.
 - NOA-Day + 21: Effective start date of the effort.

2.1.2 Phase II – VIP / Staff Movement Operations

- Conduct security procedures training classes for ESS personnel being escorted to Iraq.
- Provide threat update briefings/bulletins and/or emails to ESS management personnel. This information will also be entered into databases supporting the secure web site, available 24x7. Procedures to be coordinated and developed with REGENCY.

- Provide protection and security escort services as required to ESS.
- Provide Security process improvement recommendations as required to ESS.

3.0 Security Personnel Vetting Process

Enlist United States citizens as qualified security personnel or non-United States citizens as qualified personnel, each with T1, T2 or T3 levels of experience (hereinafter collectively referred to as "Security Personnel"). Considering the level of skill and experience of BLACKWATER upon which ESS is relying to provide the Security Services,

BLACKWATER shall, upon its own determination, when and where appropriate, enlist former NATO personnel with military special operations skills and experience. ESS will have the option of rejecting candidates presented for security of ESS personnel, after consultation with REGENCY, if ESS deems them inappropriate.

BLACKWATER will vet non-United States citizens to serve as "Security Personnel. The vetting of these non-United States citizens will be done as a planned event. BLACKWATER and REGENCY will mutually agree on a method to recover the costs of this vetting and recruitment process from ESS.

All BLACKWATER T1, T2, and T3 personnel go through an extensive vetting and pre-deployment vetting process as follows:

- Individual completes standard US government Standard Form 86, Application for security clearance.
- Individual submits resume along with US Department of Defense (DD) Form 214: Official Military Service Record summary.
- Background checks are conducted both with the former military service and National law enforcement authorities.
- Individual is retained.
- Individual goes through pre-deployment training. This pre-deployment training process is used to "weed out" any personnel who cannot pass our Team's physical, mental and emotional testing.
- Individual is re-qualified on their personal weapons, life saving techniques, defensive driving techniques and briefed on the current situation in Iraq.
- Individual is deployed.

Schedule of Rates, Supplies and Services

Table 1.

Item Number	Schedule of Supplies and Services	Unit	Unit Price	Quantity	Frequency	Amount
1	T1 Personnel	1	\$ 1,075	2	365	\$ 784,750
2	T2 Personnel	1	\$ 945	12	365	\$ 4,139,100
3	T3 Personnel	1	\$ 815	20	365	\$ 5,949,500
	Sub-Total			34		\$10,873,350
4	Rotation Travel (See Note 1)	1	\$ 3,500	34	1	\$ 119,000
5	Miscellaneous	1	\$89,976			\$ 89,976
	Total Contract Value					\$11,082,326
6	Mobilization Payment	1				\$ 320,000
	Sub-total					\$10,762,326
7	Monthly Estimated Invoice Base Includes items: 1,2,3,4,5					\$896,860.50

Note:

1. The initial travel for the original thirty four Security Personnel mobilized to meet the requirements of this Agreement will be handled by BLACKWATER, with the cost covered in the mobilization payment at a rate of \$3,500 (three thousand five hundred United States Dollars) per man per rotation.

For the subsequent travel rotations (rotation 2 through 6 and thereafter) of Security personnel, REGENCY shall be responsible for travel rotations. In the event BLACKWATER has to pay for a travel rotation after the initial travel rotation, then BLACKWATER will invoice REGENCY at cost of the rotation plus 15% (fifteen percent) handling fee.

2. These rates do not include the cost of DBA insurance. These rates are subject to unforeseeable and uncontrollable events that may, upon mutual agreement of the parties to the Agreement, require adjustment.

Table 2.

Upon signing of this agreement, REGENCY will provide to BLACKWATER equipment for thirty four (34) personnel to include:

Item number	Quantity	Item Description
1	12	Vehicles, Security, with protection kit
2	12	Vehicle Emergency repair Kits
3	12	GPS for vehicles
4	12	Medical Kits for vehicles
5	12	Satellite Phone
6	12	GSM Phone
7	15	Vehicle Radio
8	2	Base Radio
9	2	Laptop and printer

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10	1	Power Point projector
11	2	Digital camera
12	4	GPS V (with charger)
	1	V-SAT or ADSL service, as appropriate. REGENCY will provide appropriate communication Service (V-Sat, ADSL) to BLACKWATER in Baghdad and Kuwait.
13	12	Heavy weapons
14	12	Heavy weapons ammunition 100rds/mo/man
15	6	AN PVS 9
16	6	PVS 14s Mono Scope with weapons

Table 3.

BLACKWATER is responsible for procuring and maintaining the items listed in Table 3.

1	34	Individual Personnel Weapons. The cost of these items is calculated into the per man per day rate listed in Table 1, Appendix
2	34	Personal weapons ammunition 500rds/mo/man. The cost of these items is calculated into the per man per day rate listed in Table 1, Appendix
3	38	Individual personnel Radio. BLACKWATER will invoice REGENCY for the cost of these items.
4	34	Individual personnel Body Armour. BLACKWATER will invoice REGENCY for the cost of these items.

Table 4.

For the addition of one T1, T2, T3 or T5 each individual is entitled to the following items in accordance with Tables 2 and 3 above:

Item number	Quantity	Item Description
1	1	Individual personnel weapon. The cost of these items is calculated into the per man per day rate listed in Table 1, Appendix.
2	1	Individual personnel ammunition 500rds/mo/man. The cost of these items is calculated into the per man per day rate listed in Table 1, Appendix
3	1	Individual personnel Body armour. BLACKWATER will invoice REGENCY for the cost of these items.
4	1	Individual personnel radio. BLACKWATER will invoice REGENCY for the cost of these items.

Table 5.

When a protection security detail unit (3 personnel and one vehicle) is added, the following items are included in accordance with Table 2 above:

Item number	Quantity	Item Description
1	1	Vehicles, Security
2	1	Vehicle Emergency repair Kits
3	1	GPS for vehicles
4	1	Medical Kits
5	1	Satellite Phone
6	1	GSM Phone
7	1	Vehicle Radio

Table 6.

Miscellaneous:
BLACKWATER will cover its internal Administrative Support requirements in Baghdad and Kuwait

Item number	Quantity	Item Description
1	1	Administrative Support Baghdad
2	1	Administrative Support Kuwait

SAMPLE INVOICE

Actual invoice will be charged on actual numbers of T1's, T2's and T3's required according to the operational needs as outlined by REGENCY. As previously stated the amounts for the T1's, T2's and T3's is fixed for the duration of this contract with the number varying monthly.

ESS has agreed to provide housing and subsistence for the duration of this contract. There will be a 1/12th credit to REGENCY on the invoices for the first (12) twelve months of this agreement for the mobilization costs. Sample invoice shown below.

INVOICE

Item Number	Schedule of Supplies and Services	Unit	Unit Price	Quantity	Frequency	Amount
1	T1 Personnel	1	\$ 1,075	2	30	\$ 64,500
2	T2 Personnel	1	\$ 945	12	30	\$ 340,200
3	T3 Personnel	1	\$ 815	20	30	\$ 489,000
4	Subsistence (if needed)					
5	Rotation Travel					
6	Miscellaneous					
7	Credit Mobilization Payment	1				(\$26,666.66)
	Total Estimated Base Invoice					\$867,033.34

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ARTICLE 19
LIMITATION ON AUTHORITY / RELATIONSHIP OF THE PARTIES

The Agreement is not intended to constitute, create, give effect to, or otherwise recognize a joint venture, partnership, employment relationship or formal business entity of any kind. The parties shall remain independent contractors at all times and shall retain ownership of products or income arising out of the efforts of either or both parties. Neither party shall have authority to bind the other except to the extent authorized herein. Each party shall remain as independent contractors at all times and neither party shall act as the agent for the other party.

so. The parties hereby agree to comply with all relevant and applicable U.S. regulations that may be applicable under this Agreement or any subcontract awarded thereunder.
BLACKWATER shall comply with any and all applicable laws, rules and regulation that may be applicable to its operations.

ARTICLE 21
WAIVER AND CONSTRUCTION

A waiver of any failure to perform under the Agreement will neither be construed as nor constitute a waiver of any subsequent failure. Any exhibits referred to herein are made a part of the Agreement by reference. The Agreement is in two parts, each of which will be deemed an original.

IN WITNESS WHEREOF, the parties have acknowledged their agreement to the foregoing terms and conditions by executing this Agreement below.

Signed by:

Name: James A. R. Al-Saud

Title: Chairman & Managing Director
Date: 14/3/2004

Signed by:

Name: Gary Jackson

Title: President
Date: 03.12.04

Appendix A: Provision of Security Services
Appendix B: Schedule of Rates, Supplies and Services
Appendix C: Sample Monthly Invoice